

ROCKFORD HOUSING COMMISSION
ROCKFORD, MICHIGAN

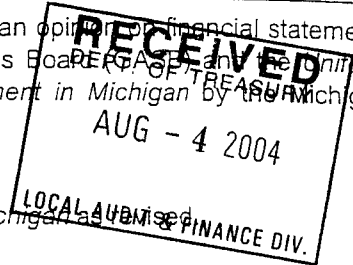
FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2004
AND
REPORTS ON INTERNAL CONTROL AND
COMPLIANCE

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name <i>Rockford Nowing Comm. Bd.</i>	County
Audit Date <i>3/3/04</i>	Opinion Date <i>6/18/04</i>	Date Accountant Report Submitted to State: <i>7/30/04</i>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan by the Michigan Department of Treasury.



We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan*.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).	✓		

Certified Public Accountant (Firm Name) Barry E. Gaudette, CPA, PC			
Street Address 1107 E. Eighth Street	City Traverse City	State MI	ZIP 49686
Accountant Signature <i>Barry E. Gaudette CPA</i>			

ROCKFORD HOUSING COMMISSION
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INTRODUCTION

Independent Auditor's Report

Board of Commissioners
Rockford Housing Commission
Rockford, Michigan

We have audited the accompanying financial statements of the Rockford Housing Commission, Michigan as of March 31, 2004, and for the year then ended as listed in the table of contents. These financial statements are the responsibility of the Housing Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Rockford Housing Commission, Michigan, as of March 31, 2004, and the results of its operations and cash flows for the year then ended in conformity with generally accepted accounting principles in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 18, 2004 on our consideration of Rockford Housing Commission, Michigan's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Rockford Housing Commission
Independent Auditor's Report
Page Two

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Financial Data Schedule is presented for the purpose of additional analysis and is not a required part of the basic financial statements of the Housing Commission. The accompanying Schedule of Expenditures of Federal Awards, is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Bary E. Taubert, CPA, PC

June 18, 2004

FINANCIAL STATEMENTS

ROCKFORD HOUSING COMMISSION
COMBINED BALANCE SHEET
March 31, 2004
=====

ASSETS

Current Assets:	
Cash	\$ 201,452
Accounts receivable-HUD	1,794
Accounts receivable-miscellaneous	810
Accounts receivable-tenants	3
Investments-unrestricted	174 511
Prepaid expenses	7,555
Due from other programs	<u>1,794</u>
Total Current Assets	<u>387,919</u>
Property, Plant, and Equipment:	
Land	23,764
Buildings	743,783
Equipment	156,171
Building improvements	<u>1,315,035</u>
	2,238,753
Less: accumulated depreciation	<u>(1,267,548)</u>
Net Property, Plant, and Equipment	<u>971,205</u>
Total Assets	<u>\$ 1,359,124</u>

See notes to financial statements

ROCKFORD HOUSING COMMISSION
COMBINED BALANCE SHEET (CONTINUED)
March 31, 2004
=====

LIABILITIES and EQUITY

Current Liabilities:	
Accounts payable	\$ 23,884
Tenant security deposit liability	5,150
Accrued expenses	5,191
Deferred revenues	253
Other current liabilities	465
Due to other programs	<u>1,794</u>
Total Current Liabilities	36,737
Noncurrent Liabilities:	
Accrued compensated absences	<u>10,364</u>
Total Liabilities	<u>47,101</u>
Equity:	
Contributed capital-HUD	644,858
Undesignated retained earnings(deficit)	<u>667,165</u>
Total Equity	<u>1,312,023</u>
Total Liabilities and Equity	<u>\$ 1,359,124</u>

See notes to financial statements

ROCKFORD HOUSING COMMISSION
**COMBINED STATEMENT OF REVENUE, EXPENSES AND
 CHANGES IN EQUITY**
 Year Ended March 31, 2004
 =====

OPERATING REVENUES:

Dwelling rent	\$ 147,904
Non-dwelling rent	<u>2,178</u>

Total operating revenues	<u>150,082</u>
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OPERATING EXPENSES:

Administration	97,999
Tenant services	2,187
Utilities	53,013
Ordinary maintenance and operation	51,824
General expenses	17,388
Extraordinary maintenance	8,250
Housing assistance payments	396,107
Depreciation	<u>84,883</u>

Total operating expenses	<u>711,651</u>
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Operating income(loss)	<u>(561,569)</u>
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NONOPERATING REVENUES AND (EXPENSES):

Investment interest income	3,410
Other income	2,346
Operating grants	<u>618,405</u>

Total nonoperating revenues(expenses)	<u>624,161</u>
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Net income(loss)	62,592
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Prior period adjustments, equity transfers and correction of errors	7,473
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Equity, beginning	<u>1,241,958</u>
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Equity, ending	<u>\$ 1,312,023</u>
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See notes to financial statements

ROCKFORD HOUSING COMMISSION
COMBINED STATEMENT OF CASH FLOWS
 Year Ended March 31, 2004
 =====

Cash flows from operating activities:	
Operating(loss)	\$(561,569)
Adjustments to reconcile operating (loss) to net cash(used in) operating activities:	
Depreciation	84,883
Adjustments	(139)
Changes in assets and liabilities:	
(increase) decrease in assets:	
Accounts receivable	17
Due from other funds	98,475
Prepaid expenses	(866)
Increase (decrease) in liabilities:	
Accounts payable-operations	(50)
Accrued wage/payroll taxes	508
Accrued compensated absences	3,497
Accounts payable-PILOT	502
Tenant security deposits	(90)
Deferred revenues	(100,048)
Other current liabilities	115
Due to other funds	(98,475)
Net cash (used in) operating activities	<u>(573,240)</u>
 Cash flows from noncapital and related financing activities:	
Operating grants	502,839
Other revenue	<u>2,646</u>
Net cash provided by noncapital and related financing activities	<u>505,485</u>
 Cash flows from capital and related financing activities:	
Capital grants	133,250
Payments for capital acquisitions	<u>(132,882)</u>
Net cash provided by capital and related financing activities	<u>368</u>

ROCKFORD HOUSING COMMISSION
COMBINED STATEMENT OF CASH FLOWS (CONTINUED)
Year Ended March 31, 2004
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Cash flows from investing activities:

Certificates of deposits maturing	100,269
Receipts of interest and dividends	<u>3,410</u>

Net cash provided by investing activities	<u>103,679</u>
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Net increase(decrease) in cash	36,292
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Cash, beginning	<u>165,160</u>
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Cash, ending	<u><u>\$ 201,452</u></u>
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Reconciliation of cash and cash equivalents per statement of cash flows to the balance sheet:

Cash	\$ 201,452
Restricted cash	<u> </u>

Cash and cash equivalents per balance sheet	<u><u>\$ 201,452</u></u>
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See notes to financial statements

ROCKFORD HOUSING COMMISSION
NOTES TO FINANCIAL STATEMENTS
March 31, 2004
=====

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Reporting Entity

As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the Rockford Housing Commission. The Rockford Housing Commission is a component unit of the City of Rockford, a Michigan home rule city. The Housing Commission is a Public Housing Agency created by the City of Rockford on March 11, 1968, consisting of a five member board appointed by the City Manager and charged with the responsibility to provide and service housing to meet the community's needs for affordable low-income housing. These financial statements include all of the resources and activities of the Rockford Housing Commission over which the Housing Commission exercises operational control or which have financial significance to the Housing Commission.

Grants and Other Intergovernmental Revenues

The Housing Commission has entered into contracts with the U.S. Department of Housing and Urban Development (HUD). Under Contract C-3010, the Housing Commission constructed, maintains and operates 52 units of subsidized housing in the City of Rockford, Michigan. Under Contract, the Housing Commission manages a Housing Choice Voucher program of subsidies for 90 qualifying low-income residents for rental housing. The Housing Commission receives an annual operating subsidy determined under a performance formula for units owned by the Housing Commission and an administrative fee based on the number of households it assists under its Housing Choice Voucher program.

Fund Accounting

The accounts of the Housing Commission are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self balancing accounts that comprise its assets, liabilities, equity, revenues, and expenses. The Housing Commission's fund structure includes only proprietary funds. Under generally accepted accounting principles, proprietary funds are grouped into two broad categories - enterprise and internal service funds. Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs of providing goods and services to the general public on a

ROCKFORD HOUSING COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
March 31, 2004
=====

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Accounting (Continued)

continuing basis be financed or recovered through user charges; or (b) where laws or regulations require that the activity's costs of providing services including capital costs (such as depreciation or debt service) be recovered with fees and charges rather than with taxes and similar revenues. All of the Housing Commission's funds are operated as enterprise type proprietary funds whereby costs of services are to be recovered through user charges or subsidies from other governmental units.

Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus. The Housing Commission's financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting.

Under the economic resources measurement focus, all assets and all liabilities (whether current or noncurrent) are included in the balance sheets of the individual funds. Their reported equity is segregated into contributed capital and retained earnings components. Operating statements present increases (revenues) and decreases (expenses) in equity.

Under the accrual basis of accounting, all revenues are recorded when earned, regardless of when received, and all expenses are recorded when a liability is created, regardless of when paid.

In accordance with Governmental Accounting Standards Board Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the City of Rockford has elected to apply only those Financial Accounting Standards Board Statements issued prior to November 30, 1989 to its proprietary funds and to the proprietary funds of its component units.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Housing Commission considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

ROCKFORD HOUSING COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
March 31, 2004
=====

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Insurance

The premiums on all major insurance policies are charged to prepaid insurance and amortized over the life of the policy.

Budgets and Budgetary Accounting

The Housing Commission is required under each of its HUD contracts to adopt an annual operating budget which must be approved by HUD. Budgetary data and comparison of actual and planned performance is reported directly to HUD based on specific program reporting requirements.

Receivables

All receivables are reported at their net value, reflecting where appropriate, by the estimated portion that is expected to be uncollectible. The Housing Commission estimates the uncollectible portion of tenant rents as a percentage of gross tenant rents using prior collection experience.

Inventory

Inventory is priced using the average cost method.

Short-term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds. Receivables and payables arising from these transactions are classified as "due from other funds" and "due to other funds" on the balance sheet.

Fixed Asset Capitalization

Fixed assets with a cost to acquire or construct of \$100 or more are capitalized and depreciated over their estimated useful lives. Depreciation is provided on a straight-line basis using the following estimate of useful lives:

Land improvements	20 - 40 years
Buildings	40 years
Building improvements	15 years
Nondwelling structures	20 years
Equipment - dwellings	7 years
Equipment - nondwellings	5 years

ROCKFORD HOUSING COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
March 31, 2004
=====

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Equity

The Housing Commission classifies its equity as follows:

- a. Contributed capital represents pre-2001 contributions from grants, HUD notes, and other aids for capital acquisitions and improvements.
- b. Unreserved retained earnings indicate that portion of equity which is available for use in future periods.

Operating Revenues and Expenses

The Housing Commission includes in operating revenues resources that are derived or received from exchange transactions. Resources derived principally from non-exchange transactions are excluded from operating income. Operating expenses include the cost of providing services, excluding depreciation. Depreciation, amounts expended for capital additions and amounts expended for retirement-of-debt are excluded from operating expenses. Depreciation expense is charged to contributed capital rather than retained earnings.

Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires the use of management estimates. The Housing Commission uses estimates of useful lives of its fixed assets and other estimates in preparing its financial statements. Actual results may differ from the Housing Commission's estimates.

Vacation and Sick Leave

The Housing Commission allows permanent employees to accumulate the following compensated absences:

- * Vacation leave not taken by employees may not be accumulated and will be forfeited if not used by the fiscal year end. Special circumstances that prevent an employee from using earned vacation time may be paid with special authorization from the Board of Commissioners.

Vacation leave shall be taken in the year after the year in which it was earned, unless otherwise specifically approved by the Executive Director in writing.

ROCKFORD HOUSING COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
March 31, 2004
=====

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Vacation and Sick Leave (Continued)

- * An employee who is permanently separated shall be paid in a lump sum at his/her current rate of pay for all unused vacation leave.
- * Sick pay is earned at a rate of one day per month and can accumulate a maximum of 150 sick days. No sick leave shall accumulate beyond the one-hundred fifty days. An employee who has accrued up to the one-hundred fifty days is eligible to receive fifty percent (50%) of that time upon termination or retirement. Payment will be made at the employee's most current rate of pay.
- * Personal leave is earned at a rate of two days per year. Unused personal leave cannot be accumulated.

The amount of accumulated benefits at March 31, 2004, was \$12,955, and is recorded as a liability in the applicable funds.

Post Employment Benefits

The provision for pension cost is recorded on an accrual basis, and the Commission's policy is to fund pension costs as they accrue.

Income Taxes

As a component unit of a Michigan home rule city, the Housing Commission is exempt from federal and state income taxes. The Housing Commission has no unrelated business income.

NOTE 2: CASH AND INVESTMENTS

The Housing Commission maintains cash and investment accounts in the Low Rent Program and Housing Choice Voucher funds. Landlord checks are processed through the Housing Choice Voucher account. All other receipts and disbursements are processed through the Low Rent Program accounts.

HUD authorizes the Housing Commission to invest in certificates of deposit, money-market funds, United States government securities, and repurchase agreements fully collateralized by United States government securities.

ROCKFORD HOUSING COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 March 31, 2004
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NOTE 2: CASH AND INVESTMENTS (Continued)

The Housing Commission's investments are categorized below to give an indication of the level of risk assumed by the entity at year end.

- Category 1: Includes deposits that are insured, registered, or for which the collateral securities are held by the Housing Commission or its agent in the Housing Commission's name. This includes FDIC or equivalent insurance coverage.
- Category 2: Includes deposits for which the collateral securities are held by the dealer's trust department or agent in the Housing Commission's name.
- Category 3: Includes all uninsured and uncollateralized deposits.

For all deposits shown below, the market value at the balance sheet date is substantially the same as the carrying value. The difference between the bank balance and carrying value is due to outstanding checks and/or deposits in transit. At various times during the year, the Housing Commission's deposits may have been higher than the March 31, 2004, balances detailed below. This means that the Housing Commission's risk and exposure could have been higher at these times. The Housing Commission had no significant type of deposits during the year not included below.

<u>Depository</u>	<u>Depository Balances by Category</u>				<u>Carrying Value</u>
	<u>1</u>	<u>2</u>	<u>3</u>	<u>Total</u>	
Standard Federal Bank	\$ 94,511	\$	\$	\$ 94,511	\$ 94,511
Independent Bank	80,000			80,000	80,000
Bank One	<u>200,000</u>	<u>2,419</u>		<u>202,419</u>	<u>201,402</u>
Total Deposits	<u>\$374,511</u>	<u>\$ 2,419</u>	<u>\$</u>	<u>\$376,930</u>	375,913
Petty cash					<u>50</u>
					<u>\$375,963</u>

ROCKFORD HOUSING COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 March 31, 2004

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NOTE 2: CASH AND INVESTMENTS (Continued)

<u>Reconciliation to Cash on Balance Sheet</u>	
Cash	\$201,452
Investments	174,511
Restricted cash	<u>-</u>
Total	<u>\$375,963</u>

NOTE 3: RECEIVABLES AND PAYABLES

Tenant Accounts Receivable

Tenant accounts receivable are recorded at gross amount and reduced by the estimated amount uncollectible. At March 31, 2004, the receivables were \$3 with \$ -0- estimated as uncollectible. Bad debt expense was \$-0-.

Accounts Receivables - HUD

Amounts due from HUD represents funding due the Housing Commission for actual expenses for the programs financed. Balances at March 31, 2004 were as follows:

Housing Choice Voucher Program	\$ -0-
Capital Fund Program	<u>-0-</u>
Total	<u>\$ -0-</u>

Inter-fund Receivables, Payables, and Transfers

Interfund receivables and payables are recorded as "due from other programs" and "due to other programs".

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
Low Rent Program	<u>\$ 1,794</u>	Capital Fund Program	<u>\$ 1,794</u>
	<u>\$ 1,794</u>		<u>\$ 1,794</u>

There were no individual fund operating transfers during the fiscal year.

ROCKFORD HOUSING COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 March 31, 2004
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NOTE 4: CAPITAL ASSETS

Capital asset activity for the year ended March 31, 2004 was as follows:

	<u>Balance</u> <u>03/31/03</u>	<u>Additions/Retirements/</u> <u>Transfers</u>	<u>Transfers</u>	<u>Balance</u> <u>03/31/04</u>
Low Rent Program				
Land	\$ 23,764	\$	\$	\$ 23,764
Buildings	743,783			743,783
Furniture, equip. & machinery - dwellings	35,643			35,643
Furniture, equip. & machinery - administration	68,330	600		68,930
Building improvements	<u>1,147,512</u>			<u>1,147,512</u>
	2,019,032	<u>\$ 600</u>	<u>\$</u>	2,019,632
Less accumulated depreciation	<u>(1,152,888)</u>	<u>\$ (77,058)</u>	<u>\$</u>	<u>(1,229,946)</u>
Total	<u>\$ 866,144</u>			<u>\$ 789,686</u>

	<u>Balance</u> <u>03/31/03</u>	<u>Additions/Retirements/</u> <u>Transfers</u>	<u>Transfers</u>	<u>Balance</u> <u>03/31/04</u>
Housing Choice Voucher Program				
Furniture, equip. and machinery- administration	\$ 23,269	\$	\$	\$ 23,269
	23,269	<u>\$</u>	<u>\$</u>	23,269
Less accumulated depreciation	<u>(23,269)</u>	<u>\$</u>		<u>(23,269)</u>
Total	<u>\$</u>			<u>\$</u>

ROCKFORD HOUSING COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 March 31, 2004
 =====

NOTE 4: CAPITAL ASSETS (Continued)

	<u>Balance</u> <u>03/31/03</u>	<u>Additions/Retirements/</u> <u>Transfers</u>	<u>Transfers</u>	<u>Balance</u> <u>03/31/04</u>
Capital Fund Program				
Furniture, equip. & machinery - dwellings	\$ 16,384	\$ 8,850	\$	\$ 25,234
Furniture, equip. & machinery - administration		3,095		3,095
Building improvements	<u>47,187</u>	<u>120,336</u>	<u></u>	<u>167,523</u>
	63,571	<u>\$ 132,281</u>	<u>\$</u>	195,852
Less accumulated depreciation	<u>(6,509)</u>	<u>\$ (7,824)</u>	<u>\$</u>	<u>(14,333)</u>
Net fixed assets	<u>\$ 57,062</u>			<u>\$ 181,519</u>

NOTE 5: CONTRIBUTED CAPITAL

The following is a summary of the activity in the Contributed Capital accounts:

	<u>Net HUD PHA</u> <u>Contributions</u>
Balance, beginning	\$ 644,858
Depreciation add back	<u>(-)</u>
Balance, ending	<u>\$ 644,858</u>

ROCKFORD HOUSING COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
March 31, 2004
=====

NOTE 6: POST EMPLOYMENT BENEFITS

The Rockford Housing Commission contributes to a S.E.P. retirement plan for its employees. Annual contributions are 5% of employee earnings and the employee is 100% vested immediately. The Housing Commission contributed \$3,331.05 during the fiscal year. By regulation, a S.E.P. plan must cover every employee who has attained the age of 21, has performed service for the Commission in at least three of the preceding five years, and receives at least \$300 (indexed for inflation) of compensation in the current year. Employees are free to withdraw their contributions without restrictions, but penalties for early withdrawal apply.

NOTE 7: CURRENT VULNERABILITY DUE TO CERTAIN CONCENTRATIONS

The Housing Commission operates in a heavily regulated environment. The operations of the Housing Commission are subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies, including, but not limited to, HUD. Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by HUD. Such changes may occur with little notice to inadequate funding to pay for the related cost, including the additional administrative burden to comply with a change.

NOTE 8: RISK MANAGEMENT AND LITIGATION

The Housing Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters for which it obtains coverage from commercial companies. The Housing Commission has had no settled claims resulting from these risks that exceed their commercial coverage in the current year or the three prior fiscal years.

ROCKFORD HOUSING COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 March 31, 2004
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NOTE 9: SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The Housing Commission maintains three Enterprise Funds which provide housing assistance and grant programs. Segment information for the year ended March 31, 2004, was as follows:

	<u>Low Rent Program</u>	<u>Capital Fund Program</u>	<u>Housing Choice Vouchers</u>
Operating revenue	\$ 150,082	\$ -	\$ -
Depreciation	77,058	7,825	-
Operating(loss)	(106,079)	(10,587)	(444,903)
Operating grants	38,111	135,044	445,250
Net income(loss)	(62,212)	124,457	347
Operating transfers	-	-	-
Plant, property, and equipment:			
Additions	600	120,336	-
Deletions	-	-	-
Working capital	337,212	-	(27,884)
Total assets	1,146,133	183,313	29,678
Total equity	1,116,534	181,519	13,970

ROCKFORD HOUSING COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
March 31, 2004
=====

NOTE 10: PRIOR PERIOD ADJUSTMENTS, EQUITY TRANSFERS AND
CORRECTION OF ERRORS

Low Rent Program

Adjustment for change in nonhomestead millage rate	\$(139)
Adjust for operating subsidy available but not drawn until first of new fiscal year	<u>7,306</u>
	<u>\$ 7,167</u>

Section 8 Rental Voucher Program

Equity transfer to Section 8 Housing Choice Voucher Program	<u>\$(13,317)</u>
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Housing Choice Vouchers Program

Adjustment for amount due from HUD per summary voucher #52681	\$ 306
Equity transfer from Section 8 Rental Voucher Program	<u>13,317</u>
	<u>\$ 13,623</u>

SUPPLEMENTARY INFORMATION

ROCKFORD HOUSING COMMISSION
COMBINING BALANCE SHEET
 March 31, 2004
 =====

C-3010 Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
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ASSETS

Current assets:

Cash	\$ 172,584	\$ 1,794
Accounts receivable-HUD		
Accounts receivable-miscellaneous		
Accounts receivable-tenant	3	
Investments-unrestricted	174,511	
Prepaid expenses	7,555	
Due from other programs	<u>1,794</u>	

Total current assets	<u>356,447</u>	<u>1,794</u>
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Property, plant, and equipment:

Land	23,764	
Buildings	743,783	
Equipment	104,573	28,329
Building improvements	<u>1,147,512</u>	<u>167,523</u>
	2,019,632	195,852
Less accumulated depreciation	<u>(1,229,946)</u>	<u>(14,333)</u>

Net property, plant and equipment	<u>789,686</u>	<u>181,519</u>
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Total Assets	<u>\$1,146,133</u>	<u>\$ 183,313</u>
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Housing Choice Vouchers <u>14.871</u>	Section 8 Rental Voucher Program <u>14.855</u>	<u>Totals</u>
\$ 28,868	\$	\$ 201,452
810		1,794
		810
		3
		174,511
		7,555
		<u>1,794</u>
<u>29,678</u>		<u>387,919</u>
		23,764
		743,783
23,269		156,171
		<u>1,315,035</u>
23,269		2,238,753
(23,269)		(1,267,548)
		<u>971,205</u>
<u>\$ 29,678</u>	<u>\$</u>	<u>\$ 1,359,124</u>

ROCKFORD HOUSING COMMISSION
COMBINING BALANCE SHEET (CONTINUED)
 March 31, 2004
 =====

C-3010	Capital
Low Rent	Fund
Program	Program
<u>14.850</u>	<u>14.872</u>

LIABILITIES and EQUITY

Current liabilities:		
Accounts payable	\$ 8,176	\$
Tenant security deposit liability	5,150	
Accrued expenses	5,191	
Deferred revenues	253	
Other current liabilities	465	
Due to other programs		<u>1,794</u>
Total current liabilities	<u>19,235</u>	<u>1,794</u>
Noncurrent liabilities:		
Accrued compensated absences	<u>10,364</u>	
Total noncurrent liabilities	<u>10,364</u>	
Total liabilities	<u>29,599</u>	<u>1,794</u>
Equity:		
Contributed capital - HUD	644,858	
Undesignated retained earnings	<u>471,676</u>	<u>181,519</u>
Total equity	<u>1,116,534</u>	<u>181,519</u>
Total Liabilities and Equity	<u>\$1,146,133</u>	<u>\$ 183,313</u>

Housing Choice Vouchers <u>14.871</u>	Section 8 Rental Voucher Program <u>14.855</u>	<u>Totals</u>
\$ 15,708	\$	\$ 23,884
		5,150
		5,191
		253
		465
		<u>1,794</u>
<u>15,708</u>		<u>36,737</u>
		<u>10,364</u>
		<u>10,364</u>
<u>15,708</u>		<u>47,101</u>
		644,858
<u>13,970</u>		<u>667,165</u>
<u>13,970</u>		<u>1,312,023</u>
<u>\$ 29,678</u>	<u>\$</u>	<u>\$ 1,359,124</u>

ROCKFORD HOUSING COMMISSION
COMBINING STATEMENT OF REVENUE, EXPENSES AND
CHANGES IN EQUITY

Year Ended March 31, 2004

=====

	C-3010 Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
OPERATING REVENUES:		
Dwelling rent	\$ 147,904	\$
Nondwelling rent	<u>2,178</u>	<u></u>
Total operating revenues	<u>150,082</u>	<u></u>
OPERATING EXPENSES:		
Administration	46,441	2,762
Tenant services	2,187	
Utilities	53,013	
Ordinary maintenance and operation	51,824	
General expenses	17,388	
Extraordinary maintenance	8,250	
Housing assistance payments		
Depreciation	<u>77,058</u>	<u>7,825</u>
Total operating expenses	<u>256,161</u>	<u>10,587</u>
Operating income(loss)	(<u>106,079</u>)	(<u>10,587</u>)
NONOPERATING REVENUES AND (EXPENSES):		
Investment interest income	3,410	
Other income	2,346	
Operating grants	<u>38,111</u>	<u>135,044</u>
Total nonoperating revenues (expenses)	<u>43,867</u>	<u>135,044</u>
Net income(loss)	(62,212)	124,457
Prior period adjustments, equity transfers and correction of errors	7,167	
Equity, beginning	<u>1,171,579</u>	<u>57,062</u>
Equity, ending	<u>\$1,116,534</u>	<u>\$181,519</u>

Housing Choice Vouchers <u>14.871</u>	Section 8 Rental Voucher Program <u>14.855</u>	<u>Totals</u>
\$	\$	\$ 147,904
		<u>2,178</u>
		<u>150,082</u>
48,796		97,999
		2,187
		53,013
		51,824
		17,388
		8,250
396,107		396,107
		<u>84,883</u>
<u>444,903</u>		<u>711,651</u>
<u>(444,903)</u>		<u>(561,569)</u>
		3,410
		2,346
<u>445,250</u>		<u>618,405</u>
<u>445,250</u>		<u>624,161</u>
347		62,592
13,623	(13,317)	7,473
	<u>13,317</u>	<u>1,241,958</u>
<u>\$ 13,970</u>	<u>\$</u>	<u>\$ 1,312,023</u>

ROCKFORD HOUSING COMMISSION
COMBINING STATEMENT OF CASH FLOWS
Year Ended March 31, 2004
=====

	C-3010 Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
Cash flows from operating activities:		
Operating(loss)	\$(106,079)	\$(10,587)
Adjustments to reconcile operating (loss) to net cash(used in) operating activities:		
Depreciation	77,058	7,825
Adjustments	(139)	
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable	17	
Due from other funds	(1,794)	100,269
Prepaid expenses	(866)	
Increase (decrease) in liabilities:		
Accounts payable-operations	(55)	
Accrued wage/payroll taxes	508	
Accrued compensated absences	3,497	
Accounts payable-PILOT	502	
Tenant security deposits	(90)	
Deferred revenues	221	(100,269)
Other current liabilities	115	
Due to other funds	<u>(100,269)</u>	<u>1,794</u>
Net cash (used in) operating activities	<u>(127,374)</u>	<u>(968)</u>
 Cash flows from noncapital and related financing activities:		
Operating grants	45,417	
Other revenue	<u>2,346</u>	
Net cash provided by noncapital and related financing activities	<u>47,763</u>	
 Cash flows from capital and related financing activities:		
Capital grants		133,250
Payments for capital acquisitions	<u>(600)</u>	<u>(132,282)</u>
Net cash provided by(used in) capital and related financing activities	<u>(600)</u>	<u>968</u>

Housing Choice Vouchers <u>14.871</u>	Section 8 Rental Voucher Program <u>14.855</u>	<u>Totals</u>
\$ (444,903)	\$	\$ (561,569)
		84,883
13,317	(13,317)	(139)
		17
		98,475
		(866)
210	(205)	(50)
		508
		3,497
		502
		(90)
		(100,048)
		115
<u> </u>	<u> </u>	<u>(98,475)</u>
<u>(431,376)</u>	<u>(13,522)</u>	<u>(573,240)</u>
461,054	(3,632)	502,839
<u>(810)</u>	<u>1,110</u>	<u>2,646</u>
<u>460,244</u>	<u>(2,522)</u>	<u>505,485</u>
<u> </u>	<u> </u>	133,250
<u> </u>	<u> </u>	<u>(132,882)</u>
<u> </u>	<u> </u>	<u>368</u>

ROCKFORD HOUSING COMMISSION
COMBINING STATEMENT OF CASH FLOWS (CONTINUED)
 Year Ended March 31, 2004

	C-3010 Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
Cash flows from investing activities:		
Certificates of deposits maturing	100,269	
Receipts of interest and dividends	<u>3,410</u>	
Net cash provided by investing activities	<u>103,679</u>	
Net increase(decrease) in cash	23,468	
Cash, beginning	<u>149,116</u>	
Cash, ending	<u><u>\$ 172,584</u></u>	<u><u>\$</u></u>

Reconciliation of cash and cash equivalents per statement of cash flows to the balance sheet:

Cash	\$ 172,584	\$
Restricted cash	<u> </u>	<u> </u>
Cash and cash equivalents per balance sheet	<u><u>\$ 172,584</u></u>	<u><u>\$</u></u>

Housing Choice Vouchers 14.871	Section 8 Rental Voucher Program 14.855	Totals
		100,269
		3,410
		103,679
28,868	(16,044)	36,292
	16,044	165,160
<u>\$ 28,868</u>	<u>\$</u>	<u>\$ 201,452</u>

\$ 28,868	\$	\$ 201,452
<u>\$ 28,868</u>	<u>\$</u>	<u>\$ 201,452</u>

ROCKFORD HOUSING COMMISSION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND NOTES TO THE SCHEDULE OF FEDERAL AWARDS
Year Ended March 31, 2004
=====

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

<u>Fiscal</u> <u>Year</u>	<u>Federal Grantor</u>	<u>CFDA No.</u>	<u>Expenditures</u>
	<u>U.S. Department of HUD</u>		
	<u>Public and Indian Housing</u> <u>Nonmajor - Direct Program</u>		
2004	Low Rent Public Housing	14.850	\$ 38,111
	<u>Public and Indian Housing</u> <u>Nonmajor - Direct Program</u>		
2004	Capital Fund Program	14.872	135,044
	<u>Low Income Public Housing</u> <u>Major - Direct Program</u>		
2004	Housing Choice Vouchers	14.871	<u>445,250</u>
	Total		<u>\$ 618,405</u>

NOTES TO THE SCHEDULE OF FEDERAL AWARDS

NOTE 1: Significant Accounting Policies

The schedule of federal awards has been prepared on the
accrual basis of accounting.

CFDA = Catalog of Federal Domestic Assistance

ROCKFORD HOUSING COMMISSION

FINANCIAL DATA SCHEDULE

Year Ended March 31, 2004

=====

FDS Line Item No.		C-3010 Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
	ASSETS		
	Current Assets:		
	Cash:		
111	Cash-unrestricted	\$ 166,995	\$
114	Cash-tenant security deposits	<u>5,589</u>	
100	Total cash	<u>172,584</u>	
	Receivables:		
122	A/R-HUD other projects		1,794
125	A/R-miscellaneous		
126	A/R-tenants-dwelling rents	<u>3</u>	
120	Total receivables, net of allowance for doubtful accounts	<u>3</u>	<u>1,794</u>
	Current Investments:		
131	Investments-unrestricted	<u>174,511</u>	
	Other Current Assets:		
142	Prepaid expenses and other assets	7,555	
144	Interprogram due from	<u>1,794</u>	
	Total other current assets	<u>9,349</u>	
150	Total current assets	<u>356,447</u>	<u>1,794</u>
	Noncurrent Assets:		
	Fixed Assets:		
161	Land	23,764	
162	Buildings	743,783	
163	Furn, equip & mach-dwellings	35,643	25,234
164	Furn, equip & mach-admin.	68,930	3,095
165	Building improvements	1,147,512	167,523
166	Accumulated depreciation	<u>(1,229,946)</u>	<u>(14,333)</u>
160	Total fixed assets, net of accumulated depreciation	<u>789,686</u>	<u>181,519</u>
180	Total noncurrent assets	<u>789,686</u>	<u>181,519</u>
190	Total Assets	<u>\$ 1,146,133</u>	<u>\$183,313</u>

Housing Choice Vouchers 14.871	Section 8 Rental Voucher Program 14.855	Totals
\$ 28,868	\$	\$ 195,863
		5,589
<u>28,868</u>		<u>201,452</u>
		1,794
810		810
		<u>3</u>
<u>810</u>		<u>2,607</u>
		<u>174,511</u>
		7,555
		<u>1,794</u>
		<u>9,349</u>
<u>29,678</u>		<u>387,919</u>
		23,764
		743,783
		60,877
23,269		95,294
		1,315,035
<u>(23,269)</u>		<u>(1,267,548)</u>
		<u>971,205</u>
		<u>971,205</u>
<u>\$ 29,678</u>	<u>\$</u>	<u>\$ 1,359,124</u>

ROCKFORD HOUSING COMMISSION
FINANCIAL DATA SCHEDULE (CONTINUED)
 Year Ended March 31, 2004
 =====

FDS Line Item No.	C-3010 Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
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LIABILITIES AND EQUITY

Liabilities:		
Current Liabilities:		
312	Accounts payable<=90 days	\$ 160 \$
321	Accrued wage/payroll taxes payable	2,600
322	Accrued compensated absences	2,591
331	Accounts payable-HUD PHA programs	
333	Accounts payable-other government	8,016
341	Tenant security deposits	5,150
342	Deferred revenues	253
345	Other current liabilities	465
347	Interprogram due to	<u>1,794</u>
310	Total current liabilities	<u>19,235</u> <u>1,794</u>
Noncurrent Liabilities:		
354	Accrued compensated absences	<u>10,364</u>
350	Total noncurrent liabilities	<u>10,364</u>
300	Total liabilities	<u>29,599</u> <u>1,794</u>
Equity:		
Contributed Capital:		
504	Net HUD PHA contributions	<u>644,858</u>
508	Total contributed capital	644,858
512	Undesignated retained earnings	<u>471,676</u> <u>181,519</u>
513	Total Equity/Net Assets	<u>1,116,534</u> <u>181,519</u>
600	Total Liabilities and Equity	<u>\$ 1,146,133</u> <u>\$183,313</u>

Housing Choice Vouchers <u>14.871</u>	Section 8 Rental Voucher Program <u>14.855</u>	<u>Totals</u>
\$ 210	\$	\$ 370
		2,600
		2,591
15,498		15,498
		8,016
		5,150
		253
		465
		<u>1,794</u>
<u>15,708</u>		<u>36,737</u>
		<u>10,364</u>
		<u>10,364</u>
<u>15,708</u>		<u>47,101</u>
		<u>644,858</u>
		644,858
<u>13,970</u>		<u>667,165</u>
<u>13,970</u>		<u>1,312,023</u>
<u>\$ 29,678</u>	<u>\$</u>	<u>\$ 1,359,124</u>

ROCKFORD HOUSING COMMISSION
FINANCIAL DATA SCHEDULE (CONTINUED)
 Year Ended March 31, 2004
 =====

FDS Line Item No.		C-3010 Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
	Revenue:		
703	Net tenant rental revenue	\$ 147,904	\$
704	Tenant revenue-other	<u>2,178</u>	<u> </u>
705	Total tenant revenue	150,082	
706	HUD PHA grants	38,111	2,762
706.1	Capital grants		132,282
711	Investment income-unrestricted	3,410	
715	Other revenue	<u>2,346</u>	<u> </u>
700	Total revenue	<u>193,949</u>	<u>135,044</u>
	Expenses:		
	Administrative:		
911	Administrative salaries	24,827	
912	Auditing fees	825	
914	Compensated absences	3,496	
915	Employee benefit contributions-adm.	5,924	
916	Other operating-administrative	11,369	2,762
	Tenant Services:		
924	Tenant services-other	2,187	
	Utilities:		
931	Water	7,376	
932	Electricity	32,882	
933	Gas	12,755	
	Ordinary maintenance and operation:		
941	Ordinary maint & oper-labor	25,050	
942	Ordinary maint & oper-mat'ls & other	5,604	
943	Ordinary maint & oper-contract costs	15,479	
945	Employee benefit contributions- ordinary maintenance	5,691	
	General expenses:		
961	Insurance premiums	9,372	
963	Payments in lieu of taxes	<u>8,016</u>	<u> </u>
969	Total operating expenses	<u>170,853</u>	<u>2,762</u>
970	Excess operating revenue over operating expenses	<u>23,096</u>	<u>132,282</u>

Housing Choice Vouchers 14.871	Section 8 Rental Voucher Program 14.855	Totals
\$	\$	\$ 147,904
		2,178
		150,082
445,250		486,123
		132,282
		3,410
		2,346
445,250		774,243
42,273		67,100
825		1,650
		3,496
3,233		9,157
2,465		16,596
		2,187
		7,376
		32,882
		12,755
		25,050
		5,604
		15,479
		5,691
		9,372
		8,016
48,796		222,411
396,454		551,832

ROCKFORD HOUSING COMMISSION
FINANCIAL DATA SCHEDULE (CONTINUED)
 Year Ended March 31, 2004
 =====

FDS Line Item No.		C-3010 Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
	Expenses continued:		
	Other expenses:		
971	Extraordinary maintenance	8,250	
973	Housing assistance payments		
974	Depreciation expense	<u>77,058</u>	<u>7,825</u>
	Total other expenses	<u>85,308</u>	<u>7,825</u>
900	Total expenses	<u>256,161</u>	<u>10,587</u>
	Excess (deficiency) of operating revenue over(under) expenses before other financing sources (uses)	(62,212)	124,457
	Other Financing Sources(Uses):		
1001	Operating transfers in (out)	<u> </u>	<u> </u>
1000	Excess (deficiency) of operating revenue over(under) expenses	(62,212)	124,457
1103	Beginning Equity	1,171,579	57,062
1104	Prior period adjustments, equity transfers and correction of errors	<u>7,167</u>	<u> </u>
	Ending Equity	<u>\$ 1,116,534</u>	<u>\$181,519</u>

Housing Choice Vouchers <u>14.871</u>	Section 8 Rental Voucher Program <u>14.855</u>	<u>Totals</u>
		8,250
396,107		396,107
		<u>84,883</u>
<u>396,107</u>		<u>489,240</u>
<u>444,903</u>		<u>711,651</u>
347		62,592
347		62,592
	13,317	1,241,958
<u>13,623</u>	<u>(13,317)</u>	<u>7,473</u>
<u>\$ 13,970</u>	<u>\$</u>	<u>\$ 1,312,023</u>

**Report on Compliance and on Internal Control Over
Financial Reporting Based on an Audit of
Financial Statements Performed in Accordance
with Government Auditing Standards**

Board of Housing Commissioners
Rockford Housing Commission
Rockford, Michigan

We have audited the financial statements of the Rockford Housing Commission, Michigan, (Housing Commission) as of and for the year ended March 31, 2004, and have issued our report thereon dated June 18, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Housing Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Housing Commission's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk

Report on Compliance and on Internal Control
In Accordance with Government Auditing Standard
Rockford Housing Commission
Page Two

Internal Control Over Financial Reporting - Continued

that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, Board of Housing Commissioners, management, others within the organization, the Michigan Department of Treasury, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Samy E. Tardiff CPA, P.C.

June 18, 2004

**Report on Compliance with Requirements
Applicable To Each Major Program and
Internal Control over Compliance
in Accordance with OMB Circular A-133**

Board of Housing Commissioners
Rockford Housing Commission
Rockford, Michigan

Compliance

We have audited the compliance of the Rockford Housing Commission, Michigan (Housing Commission) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended March 31, 2004. The Housing Commission's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Housing Commission's management. Our responsibility is to express an opinion on the Housing Commission's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Housing Commission's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Housing Commission's compliance with those requirements.

Report on Compliance and Internal Control
Over Compliance in Accordance With
OMB Circular A-133
Rockford Housing Commission
Page Two

Compliance (continued)

In our opinion, Housing Commission complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended March 31, 2004.

Internal Control Over Compliance

The management of the Housing Commission is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Housing Commission's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, Board of Housing Commissioners, management, others within the organization, the Michigan Department of Treasury, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Bary E. Thudette, CPA, PC

June 18, 2004

ROCKFORD HOUSING COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
March 31, 2004
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A. Summary of Audit Results

Financial Statements

1. Type of Auditor's Report issued: Unqualified
2. Internal control over financial reporting:
 - a. Material weakness identified No
 - b. Reportable condition identified that is not a material weakness No
3. Noncompliance material to financial statements: No

Federal Awards

1. Internal control over major programs:
 - a. Material weakness identified No
 - b. Reportable condition that is not a material weakness No
2. Type of auditor's report issued on compliance for major programs Unqualified
3. Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133 No
4. Identification of major programs:

<u>CFDA Number</u>	<u>Federal Program</u>	<u>Amount Expended</u>	<u>Major Program</u>	<u>Compliance Requirement</u>	<u>Questioned Costs</u>	<u>Audit Finding</u>
14.850	Low Rent Public Housing	\$ 38,111	No	0	N/A	N/A
14.872	Capital Fund Program	135,044	No	0	N/A	N/A
14.871	Housing Choice Vouchers	<u>445,250</u>	Yes	0	N/A	N/A
	Total	<u>\$ 618,405</u>				

5. Dollar threshold used to distinguish between type A and type B programs \$500,000
6. Auditee qualified as low-risk auditee? Yes

ROCKFORD HOUSING COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
March 31, 2004

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B.	Financial Statement Findings	None
C.	Federal Award Findings and Questioned Costs	None

ROCKFORD HOUSING COMMISSION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
March 31, 2004
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NONE